

May 1, 2015

Fourth Quarter & Fiscal Year 2015 Review

Joseph A. Sullivan
Chairman and CEO

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Chief Financial Officer



BUILDING
MOMENTUM

If the wind will not serve, take to the oars.
-Latin proverb

Important Disclosures

Forward-Looking Statements

This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements are not statements of facts or guarantees of future performance, and are subject to risks, uncertainties and other factors that may cause actual results to differ materially from those discussed in the statements.

For a discussion of these risks and uncertainties, please see “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2014 and in the Company’s quarterly reports on Form 10-Q.

Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures. These non-GAAP measures are in addition to, not a substitute for or superior to, measures of financial performance determined in accordance with GAAP. The company undertakes no obligation to update the information contained in this presentation to reflect subsequently occurring events or circumstances.

Company Highlights

Fiscal Fourth Quarter

Net Income \$83.0M or \$0.73 per diluted share

Assets Under Management \$703B

Long-term net inflows \$6.2B


- 4th consecutive quarter of positive long-term inflows

Global Distribution quarterly gross and net sales of \$22.1B and \$5.3B, respectively

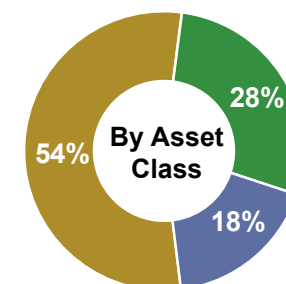
Repurchased 1.6M shares

Announced 25% increase in quarterly dividend

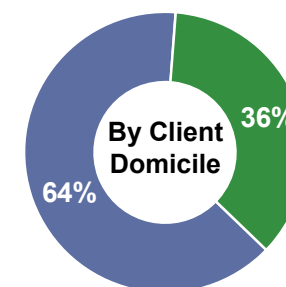
Assets Under Management (\$ billions)

Affiliate ¹	Mar 15	Dec 14	% Change	Mar 14
 WESTERN ASSET	\$445.9	\$455.5	(2%)	\$467.1
 ClearBridge ² Investments	110.5	108.1	2%	95.9
Royce&Associates	29.6	32.1	(8%)	38.6
 Brandywine GLOBAL	66.4	63.3	5%	52.2
 PERMAL	19.2	20.0	(4%)	19.7
 QS Investors ³	13.9	13.6	2%	11.3
 martin ⁴ currie	12.4	11.8	5%	2.2

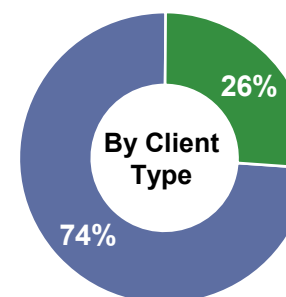
Total AUM \$703B



■ Fixed Income ■ Equity ■ Liquidity



■ US ■ Non-US



■ Institutional ■ Retail

¹ Primary affiliates ordered by contribution to fiscal year 2015 pre-tax earnings

² Includes Legg Mason Capital Management. Mar 14 has been restated

³ Mar 14 consists of Batterymarch and Legg Mason Global Asset Allocation, which are being integrated into QS Investors over time

⁴ Mar 15 and Dec 14 include \$3.6B and \$3.0 of AUM from Legg Mason Australian Equities, respectively, which was integrated into Martin Currie. Mar 14 represents Legg Mason Australian Equities only

Fiscal Fourth Quarter Affiliate Overview



- \$3.3B total inflows
 - \$3.0B fixed income
 - \$0.3B equity
- \$1.5B unfunded wins



- \$1.5B inflows
- 9th consecutive quarter of inflows
- \$0.7B unfunded wins



- \$0.3B inflows
- \$0.5B unfunded wins



- \$0.9B outflows
- \$0.1B unfunded wins



- Breakeven flows
- \$1.5B unfunded wins



- \$2.7B outflows



- \$4.9B long-term inflows
- \$15.3B liquidity outflows
- \$3.4B unfunded wins

Acknowledgements and Awards in FY 2015



- Morningstar's 2014 U.S. Fixed-Income Fund Manager of the Year award¹
- Institutional Investor award - Core Fixed Income
- 2015 Lipper Fund Award – consistent, strong risk-adjusted returns against peers
- Two Benchmark Magazine² 2014 Fund of the Year Awards - Best-in-class, Multi-Alternative Strategy and Global High Yield
- Asia Investor magazine 2014 Marquee Award - Best Institutional Product Strategy for Macro Opportunities
- Pension & Investments - Best Places to Work in Money Management



- Institutional Investor award - Large Cap Value Equity
- Two Asia Asset Management awards - Global Bond, 3-year and 10-year performance



- 2015 Lipper Fund Award – consistent, strong risk-adjusted returns
- Two Benchmark Magazine² 2014 Fund of the Year Awards - Outstanding Achiever, US Equity and US Mid-Cap Equity
- Pension & Investments - Best Places to Work in Money Management



- Money magazine "Money 50" list - Royce Opportunity Fund (two years running)



- Barron's "Best Mutual Fund Families of 2014" – Top 10 ranking
- Insured Retirement Institute's 2015 Marketing Innovation Award - "Aging and Its Financial Implications: Planning for Housing"

¹ Morningstar, Inc. named the team of Ken Leech, Carl Eichstaedt, and Mark Lindbloom, for the Western Asset Core Bond (WACSX) and Western Asset Core Plus Bond (WAPSX) Funds as the winner of the Morningstar 2014 U.S. Fixed-Income Fund Manager of the Year award

² Benchmark Magazine is an Asian trade publication

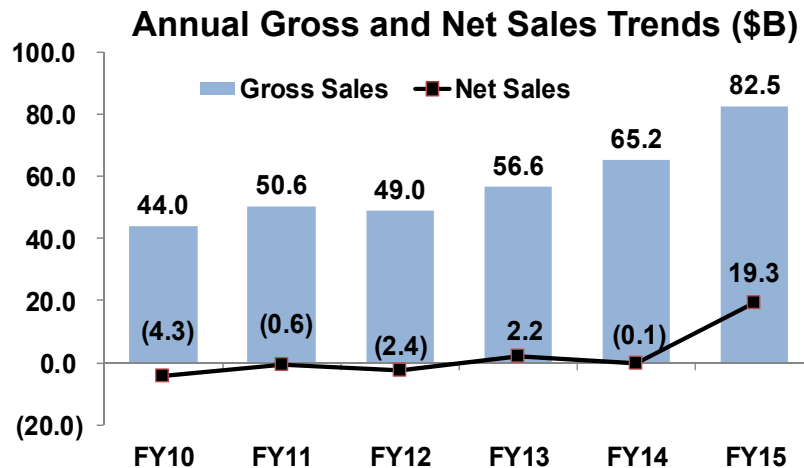
Momentum Continues in Global Distribution

Total Long-Term Assets¹: \$278B

Distribution Highlights

- Gross sales of \$22.1B, net sales of \$5.3B
- Sixth consecutive quarter of positive net sales
 - Both US and International positive
- Quarterly global redemption rate at 25%
 - US redemption rate 21%
- Annual record gross and net sales
- Positive net sales across all regions for quarter and fiscal year

(\$ Billions)	F4Q15	F3Q15	FY15	FY14
Gross Sales¹:				
US	\$14.3	\$17.9	\$54.8	\$41.4
Int'l	7.8	6.5	27.7	23.8
Total	\$22.1	\$24.4	\$82.5	\$65.2
Net Sales¹:				
US	\$ 2.2	\$ 6.5	\$11.6	(\$1.5)
Int'l	3.1	0.4	7.7	1.4
Total	\$ 5.3	\$ 6.9	\$19.3	(\$0.1)



Top Funds Driving Gross Sales FY15

- Western Asset Core Plus Bond Fund
- ClearBridge Aggressive Growth Fund
- Legg Mason ClearBridge US Aggressive Growth Fund
- LM WA Macro Opportunities Bond Fund
- Western Asset Core Bond Fund
- Legg Mason Brandywine Global Opportunities Bond Fund
- LM BW Global Fixed Income Absolute Return Fund
- ClearBridge Small Cap Growth Fund
- Western Asset Short Duration Municipal Income Fund
- LM BW Alternative Credit Fund

¹ For LMGD, Assets Under Advisement is included in long-term assets, gross sales and net sales. Net sales equals gross sales less redemptions. As of March 31, 2015 long-term assets include \$8.2B of AUA. Quarterly AUA gross and net sales for F4Q15 are \$1.2B and \$0.9B, respectively, and for F3Q15 are \$1.2B and \$0.7B, respectively

Expanding Investment Capabilities and Products

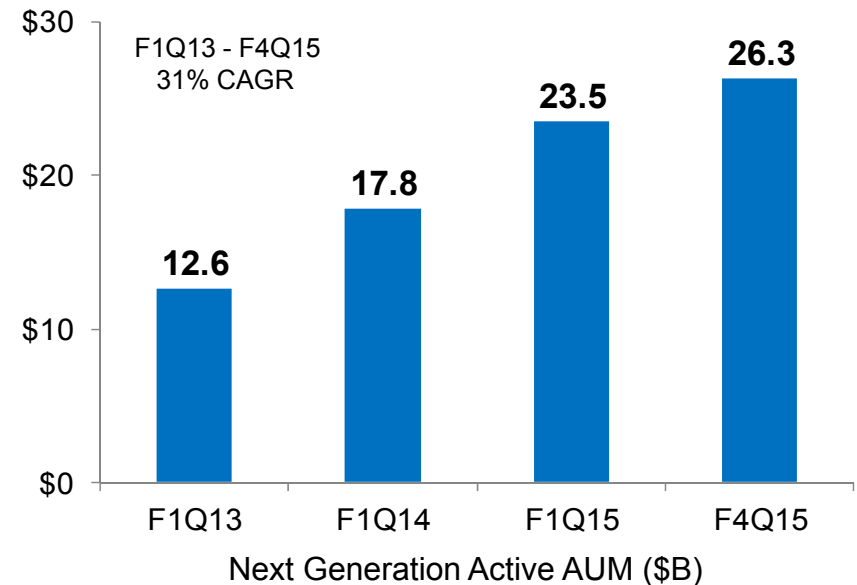
- Expanded multi-asset class solutions capabilities through QS Investors acquisition
- Expanded international active equity capabilities with Martin Currie acquisition
- Added new team to develop ETF vehicles
- Launched 23 new products, 19 of which are Next Generation Active strategies

Closing Product Gaps

Worldwide Product Opportunities	Legg Mason Investment Capabilities	
	2012	2014
Domestic Equity	+	+
Domestic Fixed Income	+	+
Global Fixed Income	+	+
Emerging Market Debt	+	+
Fund of Hedge Funds	+	+
Global/International Equity	+/-	+
Emerging Market Equity	+/-	+
Solutions/Multi-Asset Class	+/-	+
Liquid Alternatives	+/-	+
Other Illiquid Alternatives	+/-	+/-
Passive	-	-

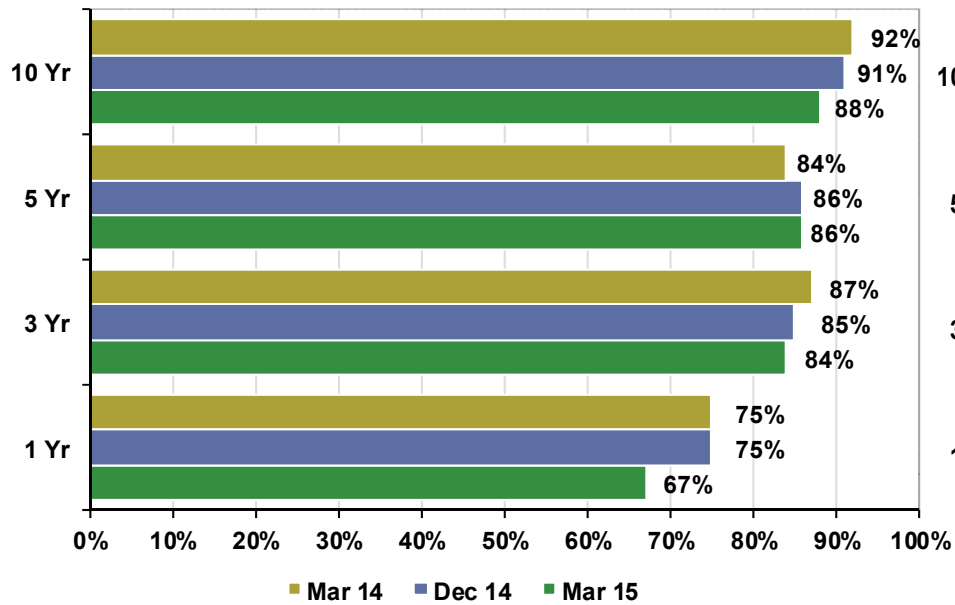
+ LM Capability +/- LM Capability, but Sub-Scale - LM No Capability

Growing Next Generation Active Products

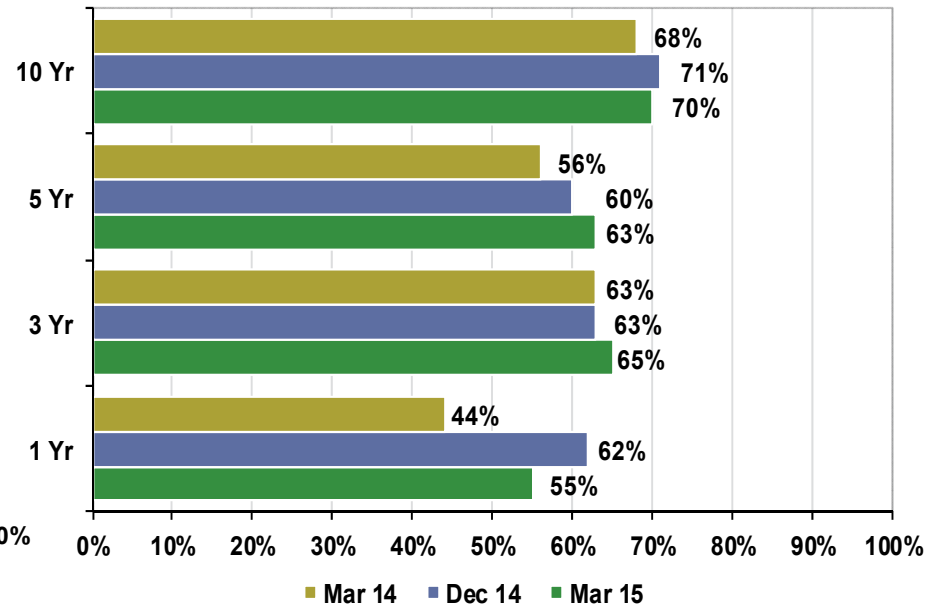


Investment Performance

% of Strategy AUM beating Benchmark¹



% of Long-Term U.S. Fund Assets beating Lipper Category Average²



¹ See appendix for details regarding strategy performance

² Includes open-end, closed-end, and variable annuity funds. Source: Lipper Inc.

Past performance is no guarantee of future results. The information shown above does not reflect the performance of any specific fund. Individual fund performance will differ.

Financial Highlights Fourth Quarter FY 2015

- Net Income of \$83.0M, or \$0.73 per diluted share
- Adjusted income¹ of \$117.9M, or \$1.03 per diluted share
- Average AUM of \$707.1B, down \$3.8B
 - Long-term average AUM increased \$5.7B or 1% compared to prior quarter
- Operating revenues \$702.3M, down \$16.6M or 2% from the prior quarter
 - Driven by two less days in the quarter and lower performance fees
- Operating expenses \$573.4M, down \$26.2M or 4% from the prior quarter
 - Lower compensation on lower operating revenues
 - Last quarter included final QS Integration costs and transaction costs related to sale of LMIC
- Operating income \$128.9M, operating margin 18.4%
- Operating income, as adjusted¹ \$132.9M, operating margin, as adjusted¹ 23.8%
- Repurchased 1.6M shares

¹ See appendix for GAAP reconciliation

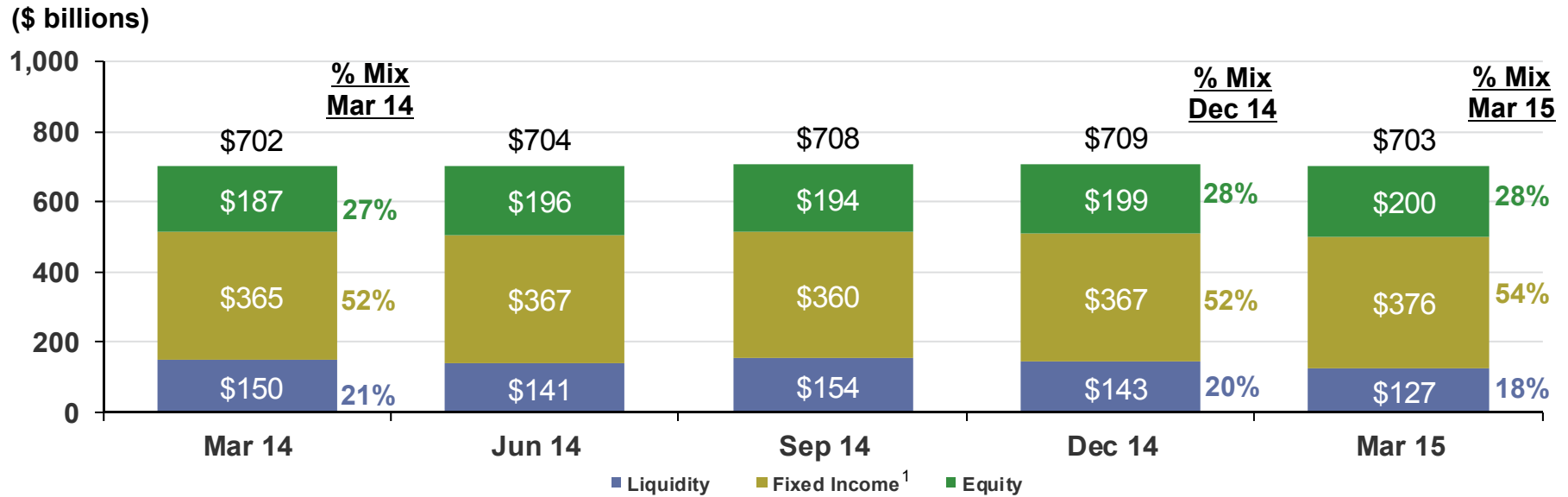
Operating Results Fourth Quarter FY 2015

(\$ millions, except per share amounts)	Mar 15 Qtr	Dec 14 Qtr	Mar 14 Qtr	FY 15	FY 14
Operating Revenues	\$702.3	\$719.0	\$681.4	\$2,819.1	\$2,741.8
Operating Expenses	573.4	599.6	562.1	2,320.9	2,310.9
Operating Income	128.9	119.4	119.3	498.2	430.9
Net Income	83.0	77.0	68.9	237.1	284.8
Diluted EPS	0.73	0.67	0.58	2.04	2.33
Adjusted Income¹	117.9	113.1	103.5	378.8	417.8
Adjusted Income per diluted share¹	1.03	0.98	0.86	3.26	3.41
Operating Margin, as adjusted¹	23.8%	21.4%	23.3%	23.0%	22.0%
Effective Tax Rate GAAP²	33.8%	32.2%	41.9%	34.0%	32.8%

¹ See Appendix for GAAP reconciliation

² Includes the impact of Consolidated Investment Vehicles (CIVs) of (0.2%), (0.8%), and 1.5% in Mar 15, Dec 14, and Mar 14, respectively and (0.5%) and 0.2% for FY15 and FY14

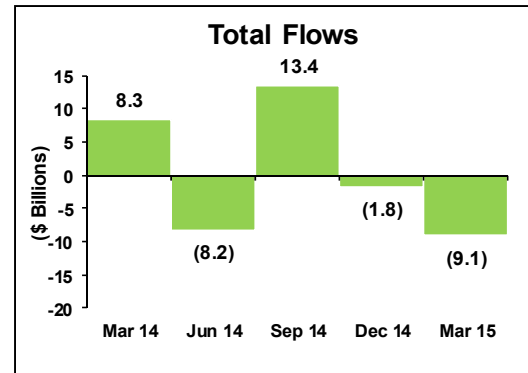
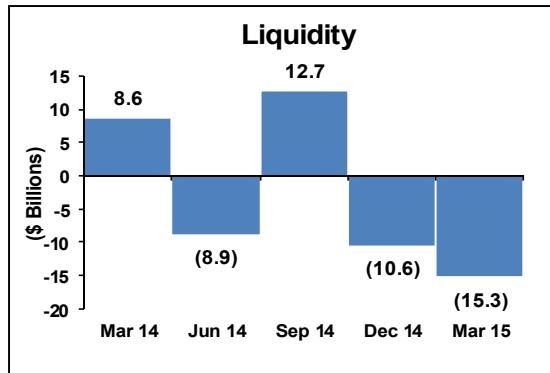
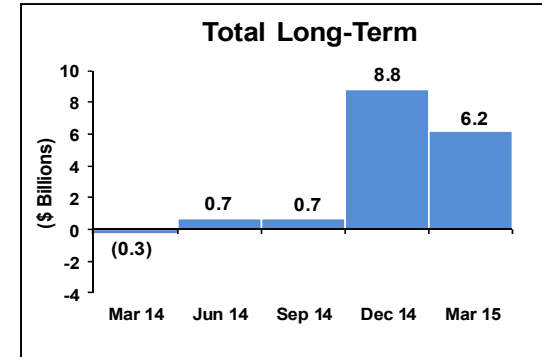
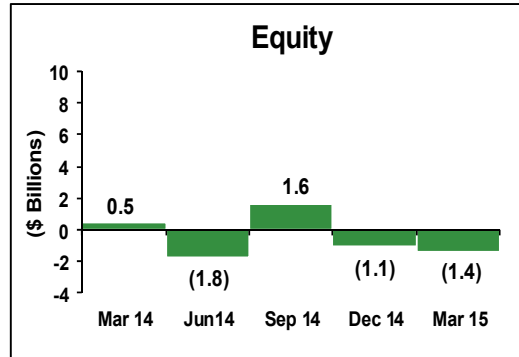
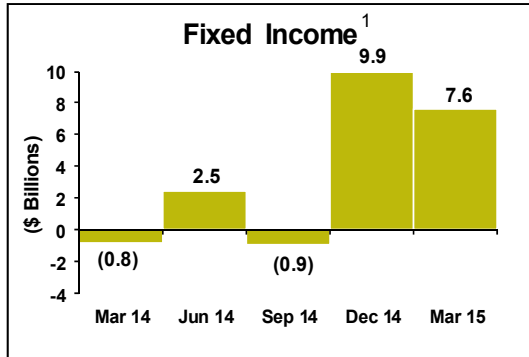
Assets Under Management by Asset Class



- AUM decreased \$6.4B from prior quarter
 - Liquidity outflows of \$15.3B
 - Long-term inflows of \$6.2B
 - Market appreciation/other of \$2.7B (includes \$6.3B of negative FX impact)

¹ Mar 14 includes \$12.6B in fixed income AUM related to the low fee global sovereign mandate that has been reclassified as AUA

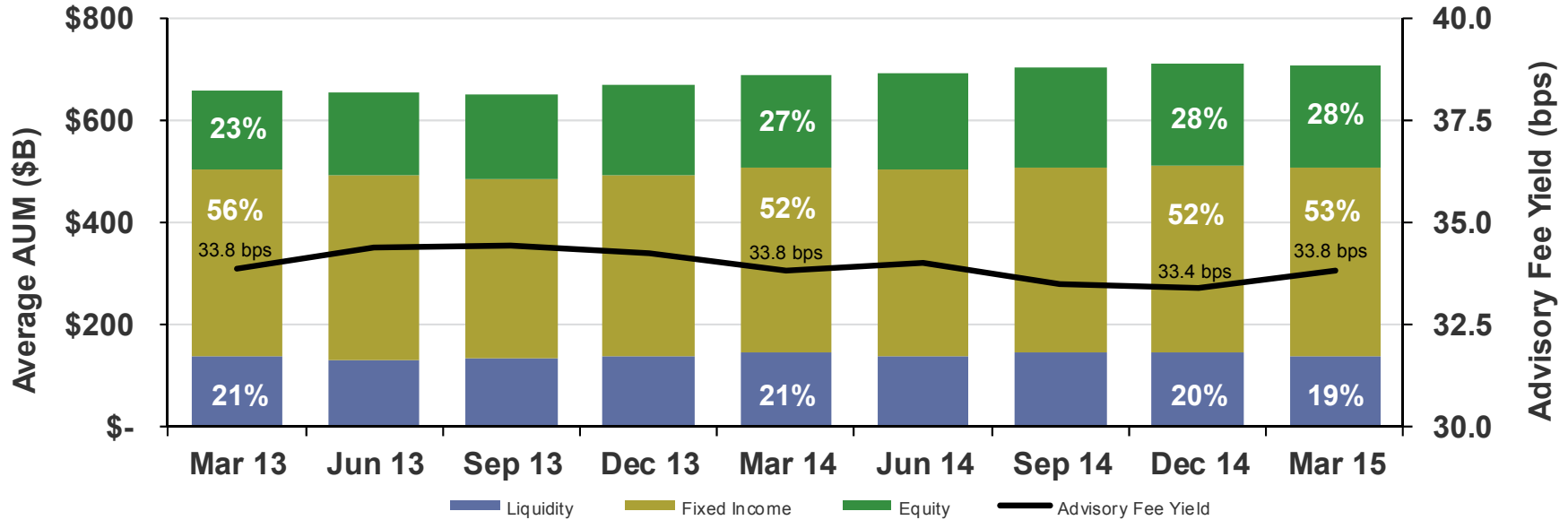
Net Flows - Quarterly



- Fixed Income inflows driven by Global Opportunistic \$2.8B, Global Sovereign \$2.0B, and Limited Duration \$1.3B
- Equity outflows driven by Small Cap of \$2.6B, partially offset by Large Cap and Equity Income inflows of \$1.1B and \$0.5B, respectively

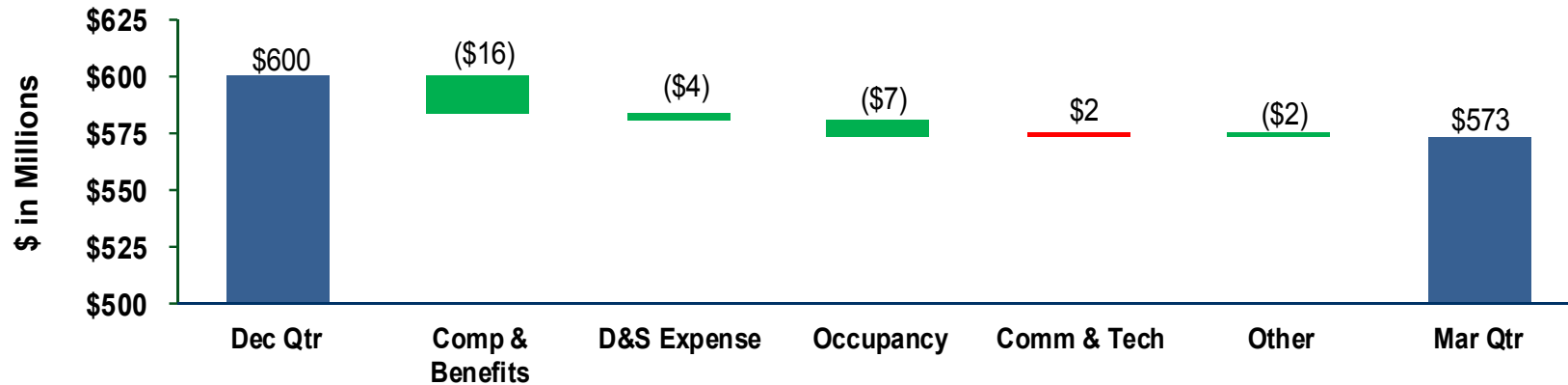
¹ Low fee global sovereign mandate outflows for Jun 14 (\$1.0B), Sep 14 (\$0.9B), Dec 14 (\$0.8), and Mar 15 (\$0.5B) are excluded from the table. Mar 14 includes outflows of (\$1.4B)

Advisory Fee Yield / Average AUM



- Total average AUM down \$3.8B
 - Liquidity and Equity AUM down \$9.5B and \$1.7B, respectively
 - Fixed Income AUM up \$7.4B

Operating Expenses



- D&S expenses decreased primarily due to two less days in the quarter
- Decrease in occupancy expenses largely driven by a \$6.8M lease charge related to QS integration in the prior quarter

Compensation and Benefits

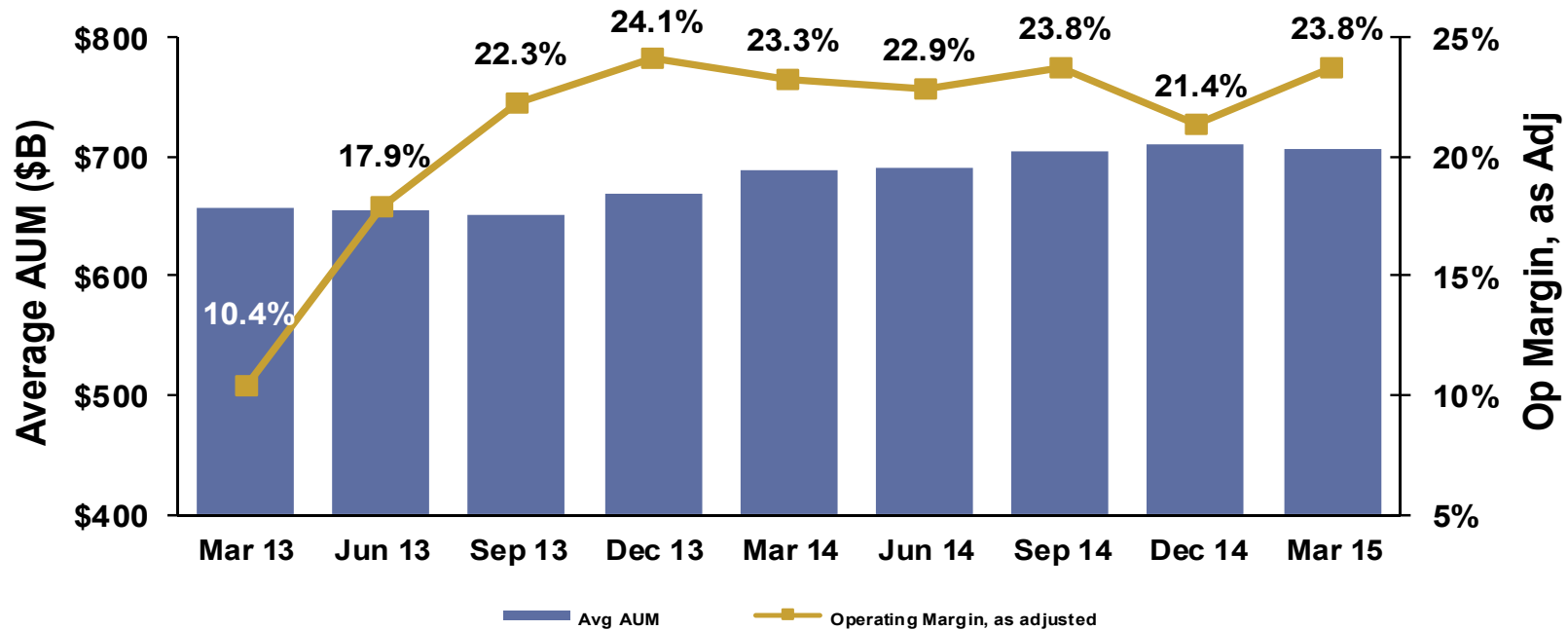
(\$ millions)

	Mar Qtr	% of Net Rev. ¹	Dec Qtr	% of Net Rev. ¹	\$ Change
Salary and incentives	\$ 243.8	44%	\$ 260.4	46%	\$ (16.6)
Benefits and payroll taxes	56.2	10%	48.1	8%	8.1
Subtotal Compensation and benefits	300.0	54%	308.5	54%	(8.5)
Transition costs and severance	0.5	0%	9.0	2%	(8.5)
MTM deferred comp. and seed investments	3.1	0%	2.2	0%	0.9
Total Compensation and benefits	\$ 303.6	54%	\$ 319.7	56%	\$ (16.1)

- Salary and incentives decrease driven by lower performance fees and two less days of revenue in the quarter
- Benefits and payroll taxes increased due to higher seasonal benefit costs, of which approximately half offset in salary and incentives
- Prior quarter transition costs and severance included accelerated deferred compensation related to the sale of LMIC and QS Investors integration costs

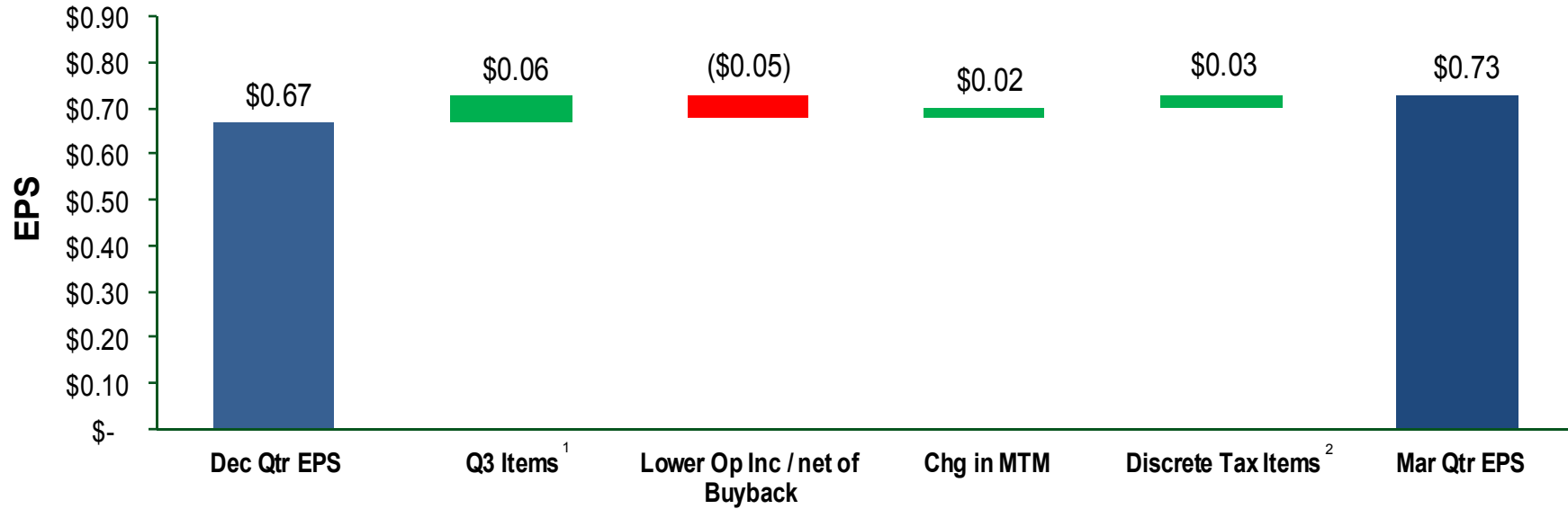
¹ Net revenue is equal to operating revenues, as adjusted

Operating Margin, as Adjusted



- Impact of QS Investors integration and costs related to the acquisition of Martin Currie and sale of LMIC approximately 3.3% on prior quarter

Fourth Quarter Earnings Per Share Rollforward



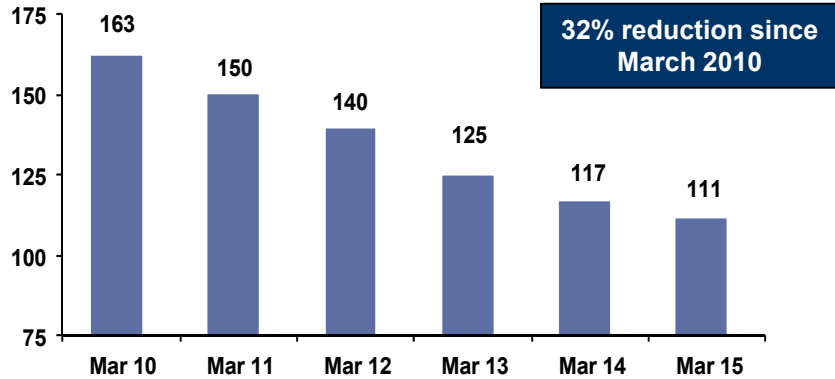
- Lower operating income driven by two less days in the quarter, lower performance fees and higher seasonal costs, partially offset by increased revenue on higher average long-term AUM
- Q3 items include QS Investors integration, costs related to purchase of Martin Currie and sale of LMIC, partially offset by a reduction in tax reserves and gain on LMIC

¹ Includes QS integration costs \$12.8M, costs related to purchase of Martin Currie and sale of LMIC \$5.7M, partially offset by a reduction in tax reserves \$3.5M and gain on LMIC \$1.9M

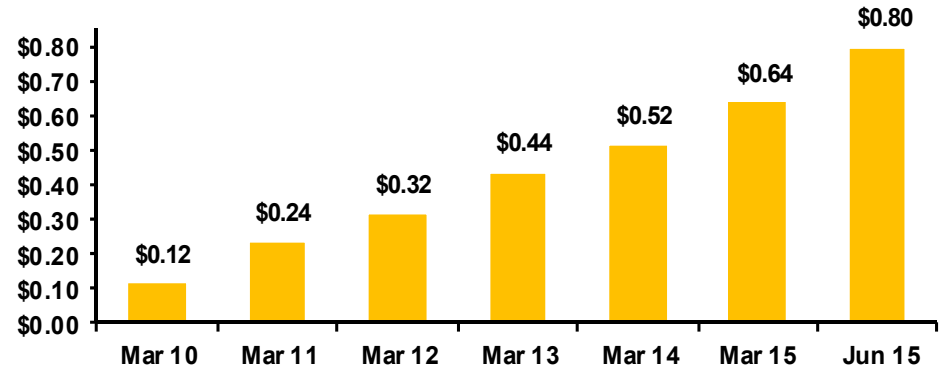
² Includes changes in state tax apportionments and prior year provision to return adjustments

Consistent and Balanced Approach to Capital Allocation

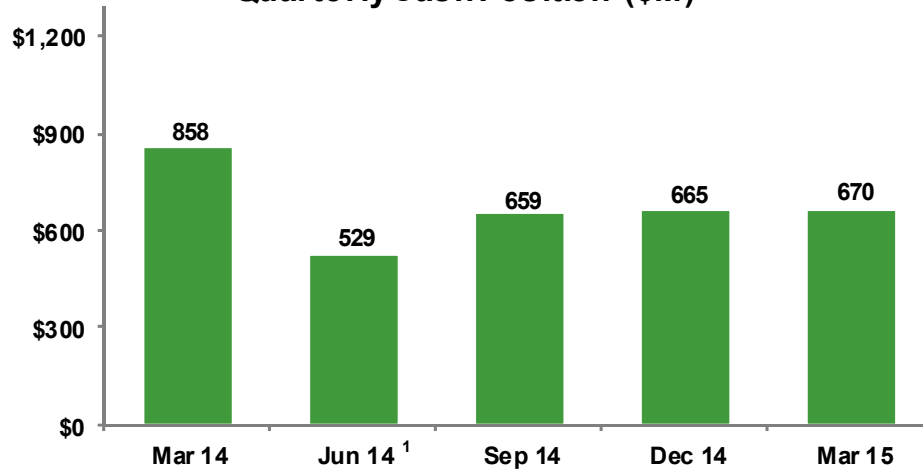
Shares Outstanding (M)



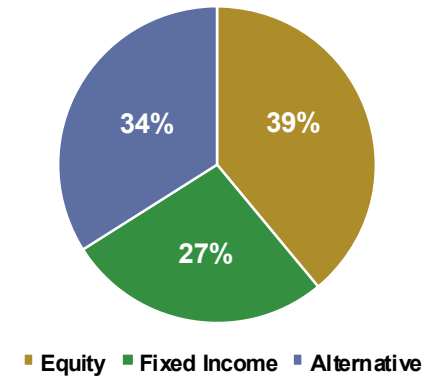
Annualized Quarterly Dividend Declared (Per Share)



Quarterly Cash Position (\$M)



Seed Investments of \$391M ²



¹ Excludes \$750M of cash held on June 30, 2014 but used to repay debt on July 23, 2014

² Market value as of March 31, 2015

Key Takeaways

- Return to growth
- Well diversified business model
- High performing distribution platform
- Focused on long-term profitability
- Strategic capital deployment

Appendix



Brandywine  GLOBAL

ClearBridge
Investments

martin
currie

 PERMAL

 QS Investors

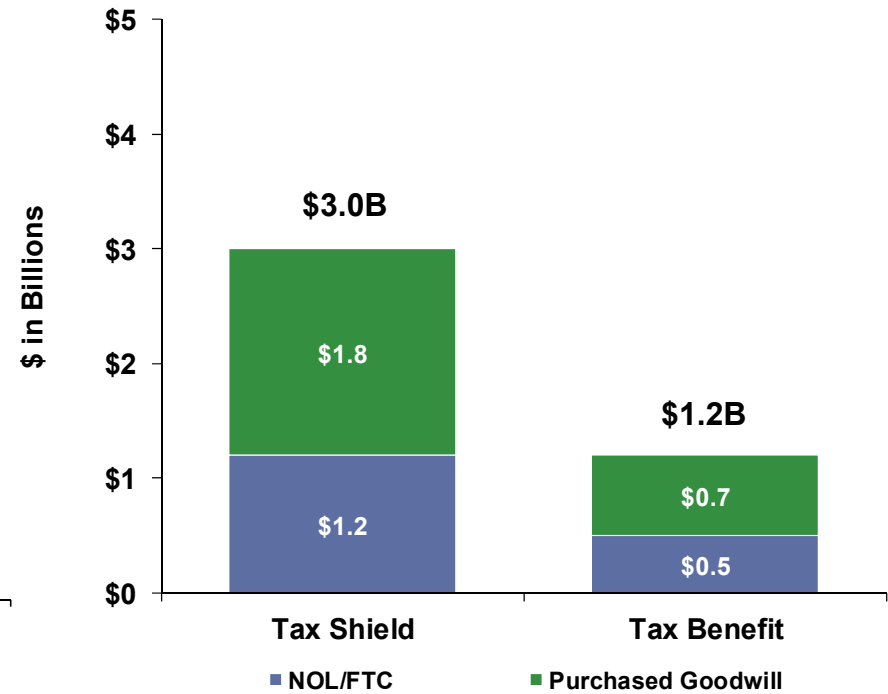
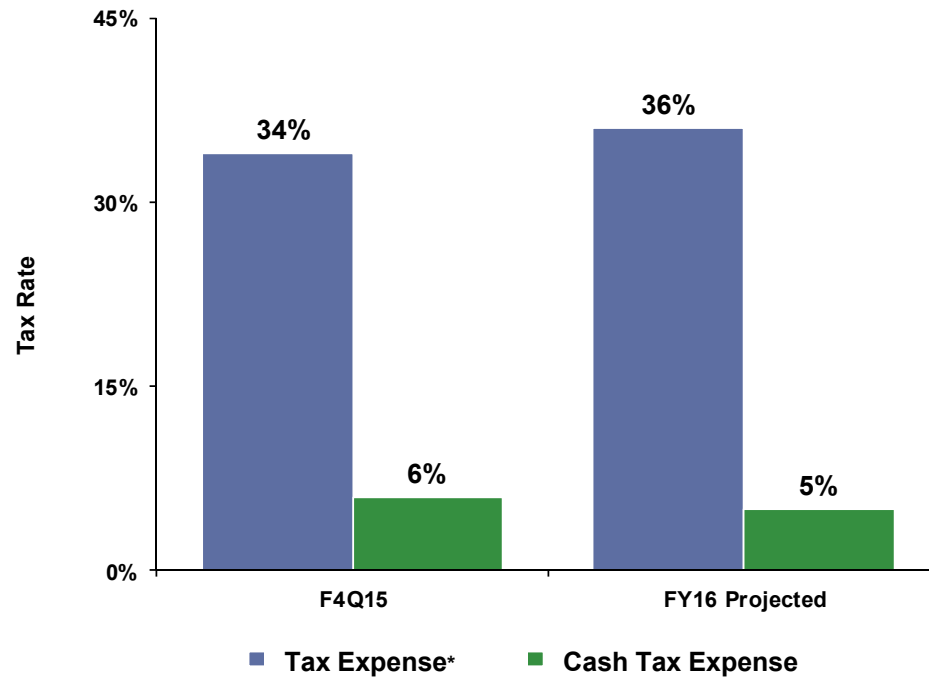
Royce & Associates

 WESTERN ASSET

LEGG MASON
GLOBAL ASSET MANAGEMENT

Appendix – Significant Tax Benefit

\$3.0B of Future Income Sheltered



- F4Q15 tax rate reflects adjustments in apportionment factors in calculation of state deferred tax assets
- Lower cash tax rate due to higher anticipated use of tax shield in FY16
- FY16 tax rate does not reflect impact of NYC law change related to deferred tax assets

- Future income of \$3.0B is sheltered from state and federal income tax, based on usage of NOL, FTC carryforwards and amortization of tax deductible goodwill

Appendix – GAAP Reconciliation

Adjusted Income¹

RECONCILIATION OF NET INCOME ATTRIBUTABLE TO LEGG MASON, INC. TO ADJUSTED INCOME¹

(\$ millions, except per share amounts)	Quarters Ended			Years Ended	
	Mar 15	Dec 14	Mar 14	Mar 15	Mar 14
Net Income Attributable to Legg Mason, Inc.	\$ 83.0	\$ 77.0	\$ 68.9	\$ 237.1	\$ 284.8
Plus (less):					
Amortization of intangible assets	0.6	0.7	0.9	2.6	12.3
Contingent consideration fair value adjustment	-	-	-	-	5.0
Deferred income taxes on intangible assets:					
Tax amortization benefit	34.3	35.4	33.7	139.1	134.9
U.K. tax rate adjustment	-	-	-	-	(19.2)
Adjusted Income	<u>\$ 117.9</u>	<u>\$ 113.1</u>	<u>\$ 103.5</u>	<u>\$ 378.8</u>	<u>\$ 417.8</u>
Net Income per Diluted Share Attributable to Legg Mason, Inc.	\$ 0.73	\$ 0.67	\$ 0.58	\$ 2.04	\$ 2.33
Plus (less):					
Amortization of intangible assets	-	0.01	-	0.02	0.10
Contingent consideration fair value adjustment	-	-	-	-	0.04
Deferred income taxes on intangible assets:					
Tax amortization benefit	0.30	0.30	0.28	1.20	1.10
U.K. tax rate adjustment	-	-	-	-	(0.16)
Adjusted Income per Diluted Share	<u>\$ 1.03</u>	<u>\$ 0.98</u>	<u>\$ 0.86</u>	<u>\$ 3.26</u>	<u>\$ 3.41</u>

¹ See explanations for Use of Supplemental Non-GAAP Financial Information in earnings release.

Appendix – GAAP Reconciliation

Operating Margin, as adjusted¹

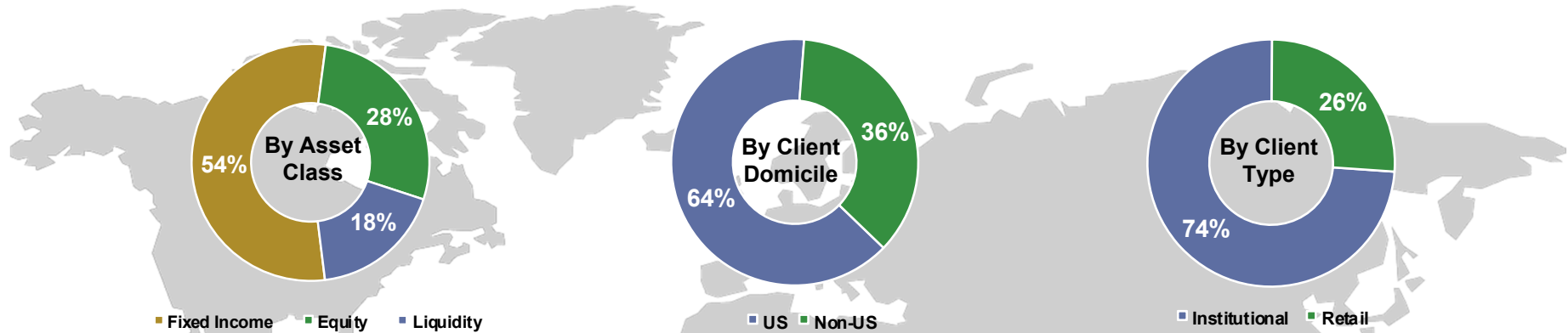
(\$ millions)	Quarters Ended									Years Ended	
	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Mar 14	Mar 15
Operating Revenues, GAAP basis	\$ 667.8	\$ 670.4	\$ 669.9	\$ 720.1	\$ 681.4	\$ 693.9	\$ 703.9	\$ 719.0	\$ 702.3	\$ 2,741.8	\$ 2,819.1
Plus (less):										-	-
Operating revenues eliminated upon consolidation of investment vehicles	0.6	0.6	0.5	0.5	0.3	0.2	0.2	0.2	0.2	1.9	0.7
Distribution and servicing expense excluding consolidated investment vehicles	(142.3)	(170.1)	(155.1)	(148.8)	(144.9)	(148.7)	(155.1)	(147.5)	(143.5)	(619.0)	(594.7)
Operating Revenues, as Adjusted	<u>\$ 526.1</u>	<u>\$ 500.9</u>	<u>\$ 515.3</u>	<u>\$ 571.8</u>	<u>\$ 536.8</u>	<u>\$ 545.4</u>	<u>\$ 549.0</u>	<u>\$ 571.7</u>	<u>\$ 559.0</u>	<u>\$ 2,124.7</u>	<u>\$ 2,225.1</u>
Operating Income (Loss), GAAP basis	\$ 43.0	\$ 83.5	\$ 106.4	\$ 121.7	\$ 119.3	\$ 119.5	\$ 130.4	\$ 119.4	\$ 128.9	\$ 430.9	\$ 498.1
Plus (less):											
Gains on deferred compensation and seed investments	7.2	1.9	4.2	6.5	4.4	4.5	(0.4)	2.1	3.1	17.0	9.4
Amortization of intangible assets	3.5	3.6	3.6	4.2	0.9	0.9	0.5	0.7	0.6	12.3	2.6
Contingent consideration fair value adjustment	-	-	-	5.0	-	-	-	-	-	5.0	-
Operating income and expenses of consolidated investment vehicles	0.8	0.7	0.6	0.6	0.5	0.2	0.2	0.2	0.3	2.4	1.0
Operating Income, as Adjusted	<u>\$ 54.5</u>	<u>\$ 89.7</u>	<u>\$ 114.8</u>	<u>\$ 138.0</u>	<u>\$ 125.1</u>	<u>\$ 125.1</u>	<u>\$ 130.7</u>	<u>\$ 122.4</u>	<u>\$ 132.9</u>	<u>\$ 467.6</u>	<u>\$ 511.1</u>
Operating Margin, GAAP basis	6.4%	12.5%	15.9%	16.9%	17.5%	17.2%	18.5%	16.6%	18.4%	15.7%	17.7%
Operating Margin, as Adjusted	10.4%	17.9%	22.3%	24.1%	23.3%	22.9%	23.8%	21.4%	23.8%	22.0%	23.0%

¹ See explanations for Use of Supplemental Data as Non-GAAP Financial Information in earnings release.

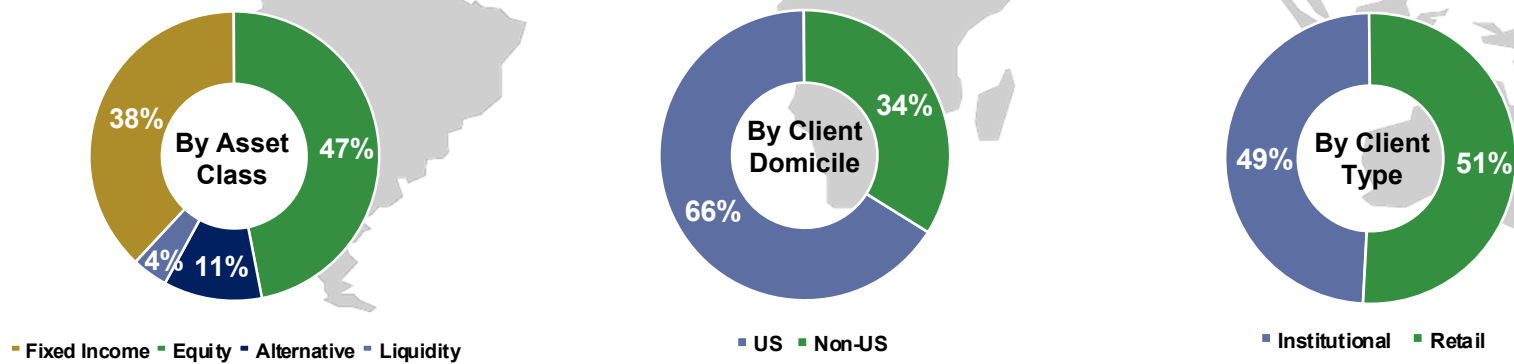
Note: Adjusted results have been changed to remove the impact of Amortization of intangible assets. Prior periods have been restated.

Appendix - Asset & Revenue Diversity

Total AUM \$703B



FY 15 Operating Revenues \$2.8B



Appendix – Additional Investment Performance Detail

% of Strategy AUM Beating Benchmark¹

	March 31, 2015				March 31, 2014			
	1-Year	3-Year	5-Year	10-Year	1-Year	3-Year	5-Year	10-Year
Total (includes liquidity)	67%	84%	86%	88%	75%	87%	84%	92%
Equity:								
Large cap	24%	64%	74%	94%	67%	91%	52%	76%
Small cap	10%	11%	26%	42%	33%	26%	29%	82%
Total Equity (includes other equity)	30%	58%	66%	81%	54%	69%	45%	77%
Fixed Income:								
US taxable	74%	94%	93%	88%	94%	94%	94%	97%
US tax-exempt	100%	100%	100%	100%	0%	100%	100%	100%
Global taxable	77%	89%	88%	84%	54%	82%	98%	93%
Total Fixed Income	76%	93%	92%	88%	74%	91%	96%	96%

¹ See appendix for details regarding strategy performance

Past performance is no guarantee of future results. The information shown above does not reflect the performance of any specific fund. Individual fund performance will differ

Appendix – Additional Investment Performance Detail

% of Long-Term U.S. Fund Assets beating Lipper Category Average¹

	March 31, 2015				March 31, 2014			
	1-Year	3-Year	5-Year	10-Year	1-Year	3-Year	5-Year	10-Year
Total (excludes liquidity)	55%	65%	63%	70%	44%	63%	56%	68%
Equity:								
Large cap	46%	82%	73%	69%	49%	86%	55%	54%
Small cap	15%	19%	21%	59%	27%	19%	25%	72%
Total Equity (includes other equity)	38%	57%	53%	63%	39%	55%	42%	60%
Fixed Income:								
US taxable	80%	87%	86%	86%	80%	85%	92%	85%
US tax-exempt	83%	57%	60%	88%	27%	61%	68%	86%
Global taxable	79%	86%	81%	55%	27%	86%	84%	86%
Total Fixed Income	80%	78%	77%	84%	54%	78%	83%	86%

¹ Includes open-end, closed-end, and variable annuity funds. Source: Lipper Inc.

Past performance is no guarantee of future results. The information shown above does not reflect the performance of any specific fund. Individual fund performance will differ.

Appendix – Strategy Performance

For purposes of investment performance comparisons, strategies are an aggregation of discretionary portfolios (separate accounts, investment funds, and other products) into a single group that represents a particular investment objective. In the case of separate accounts, the investment performance of the account is based upon the performance of the strategy to which the account has been assigned. Each of our asset managers has its own specific guidelines for including portfolios in their strategies. For those managers which manage both separate accounts and investment funds in the same strategy, the performance comparison for all of the assets is based upon the performance of the separate account.

Approximately ninety percent of total AUM is included in strategy AUM as of March 31, 2015, although not all strategies have three, five, and ten year histories. Total strategy AUM includes liquidity assets. Certain assets are not included in reported performance comparisons. These include: accounts that are not managed in accordance with the guidelines outlined above; accounts in strategies not marketed to potential clients; accounts that have not yet been assigned to a strategy; and certain smaller products at some of our affiliates.

Past performance is not indicative of future results. For AUM included in institutional and retail separate accounts and investment funds managed in the same strategy as separate accounts, performance comparisons are based on gross-of-fee performance. For investment funds (including fund-of-hedge funds) which are not managed in a separate account format, performance comparisons are based on net-of-fee performance. These performance comparisons do not reflect the actual performance of any specific separate account or investment fund; individual separate account and investment fund performance may differ. The information in this presentation is provided solely for use in connection with this presentation, and is not directed toward existing or potential clients of Legg Mason.

Appendix: Next Generation Active Products

Next Generation Active products are defined as long-term retail products that focus on, invest in or are managed to:

- The four Casey Quirk New Active strategies:
 - Alternatives: Liquid alternative products that invest (a) directly or synthetically in energy, property, infrastructure, commodities or other real assets, or (b) in long-short strategies across all asset classes.
 - Global Tactical Asset Allocation/Multi-Asset Class Solutions: Multi-asset class, outcome-oriented and/or hedged strategies
 - Unconstrained Fixed Income: benchmark agnostic multi-sector strategies
 - Leveraged Loans: Bank Loans and Direct Lending
- Frontier markets, unconstrained benchmark-agnostic equity, regional fixed income domiciled outside that region, or recently commercialized equity or fixed income sub-sectors
- Alternative beta schemes (active management IP embedded into next generation indices)